Success Factors in Healthcare Talent Management: What Differentiates High- and Low-Performing Organizations

An Executive Summary

In the face of monumental change within healthcare, human resources professionals are under increasing pressure to ensure a steady flow of leadership talent within their organizations. Although many such organizations have well-developed talent management practices, few have a firm understanding of the return on investment these practices provide.

To better gauge the relative success or failure of standard talent management practices within healthcare—and to provide practical recommendations for the future—Dr. Kevin S. Groves, Ph.D., president of Groves Consulting Group and associate professor of management at Pepperdine University, recently conducted a comprehensive survey of 142 senior HR officers and other industry executives in charge of talent management within their organizations. Witt/Kieffer provided support for Groves’ work.

The organizations represented in the survey consisted mostly of private, multi-hospital health systems, reported an average net revenue of more than $3.5B, and employed nearly 19,000 full-time employees on average. The full results of Groves’ survey can be found in a comprehensive report at www.grovesconsultinggroup.com.

Survey respondents rated the degree to which their respective organizations utilize Talent Management Success Factors. The Success Factors, which measure a series of talent management best practices derived from prior research, are listed here along with findings for each from Groves’ recent study:

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<th>Success Factors</th>
<th>Findings</th>
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<tr>
<td>Top Management Team Support</td>
<td>Four-fifths of survey respondents noted that their organizations view talent management as a strategic priority.</td>
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<td>Performance Management Processes</td>
<td>Most respondents noted that these processes within their organizations were deemed objective, though slightly fewer held that employees and managers saw the processes as credible.</td>
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<td>Talent Assessment Practices</td>
<td>Most believed that assessment practices are non-politicized and collaborative; responses were mixed in terms of whether formal assessments were used to position employees according to performance and leadership potential.</td>
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<td>Leadership Development Culture</td>
<td>A majority felt their development culture was fair and equitable in general, though few respondents indicated this was “always” the case.</td>
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<td>Pay Practices</td>
<td>The executives reported a relatively low degree of organizations’ utilizing pay practices as a Talent Management Success Factor.</td>
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<tr>
<td>Onboarding Practices</td>
<td>The use of onboarding practices was the highest among all Success Factors.</td>
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Talent Management: A Connection to Productivity?

Next, the report studied whether a positive relationship could be measured between talent management practices and employee productivity. The results indicated that, indeed, there was a correlation.

Hospital systems with high Success Factors scores reported an average employee productivity metric (net revenue/FTEs) of $164,154 compared to $132,685 for organizations with low Success Factors scores.

The $31,469 difference in net revenue per FTE represents a nearly 24 percent increase in employee productivity.

Hospital systems with high Success Factors scores reported an average HCAHPS score (Hospital Consumer Assessment of Healthcare Providers and Systems) of 74 percent compared to 65 percent for organizations with low Success Factors scores. Hospital systems with high Success Factors scores obtained significantly higher patient satisfaction scores across all HCAHPS dimensions.

Turnover, Bench Strength through the Lens of Workforce Metrics

Groves’ data also established a connection between good talent management and strong traditional workforce metrics. Hospital systems with high Success Factors scores demonstrated significantly lower annual turnover for nurses and management compared to organizations with low Success Factors scores. The two-percent reduction in annual turnover for nurses represents a total annual cost savings of $2.45M, Groves estimates, while the nearly two-percent reduction in annual management turnover represents a total annual cost savings of $800,617.

Hospital systems with high Success Factor scores were also significantly less likely to source executive talent externally and were far more likely to report leader benchstrength of at least two “ready now” candidates for key leadership roles.
The Importance of Diversity

Regarding executive team diversity, high-performing hospital systems reported significantly greater women and ethnic minorities across all executive positions (vice-presidents and above) compared to hospital organizations with low Success Factors scores.

Finally, the average number of executive searches (4.14) and associated fees ($235,000) were significantly lower for hospital systems with high Success Factors scores compared to low-performing organizations (13.73 and $1.10M, respectively).

Defining High-Potential Employees

Hospital systems adopt a range of policies and practices to execute talent management strategies. Exactly half (50 percent) of the organizations explicitly inform individual employees of their status as “high potential.” Most hospital systems (52 percent) define “high potential” according to leadership capability while utilizing the following factors to designate high potential employees:

- Job performance (64 percent)
- Leadership competencies (63 percent)
- Specific work experiences (54 percent)

The most common leadership development practices included special projects (59 percent) and internal development programs (52 percent). The most common metrics for evaluating the efficacy of respective talent management systems included the internal/external hiring ratio for leadership roles (43 percent) and the success rates of high-potentials placed into new roles (36 percent).

Healthcare Talent Management: Recommendations for Raising the Bar

The survey results support a variety of progressive approaches for developing a talent management strategy, among them prioritizing talent management investments for maximal gains in clinical, financial and workforce outcomes. Implementing specific talent management policies and practices will greatly benefit healthcare organizations, the study suggests. Healthcare organizations seeking to leverage talent management for improved organizational outcomes should:

- Audit their respective talent management system across the Success Factors to identify critical gaps
- Elevate the business case for talent management among top management team and board members with emphasis on clinical, financial and workforce metrics
- Accelerate workforce diversity initiatives by increasing the number of women and ethnic minority executives through talent assessment and onboarding practices
- Develop onboarding programs for both external hires and key internal promotions
- Create customized assessment tools for identifying high potential leaders (e.g., nine-box models, multi-source assessments)
• Assess the composition, format and frequency of talent review sessions
• Establish transparency with the high potential designation process through key policies and practices
• Develop high potential leaders through project-based assignments directly tied to strategic, system-wide initiatives
• Adopt a balanced scorecard approach to evaluation metrics for measuring the efficacy of the talent management system

References


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